



Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



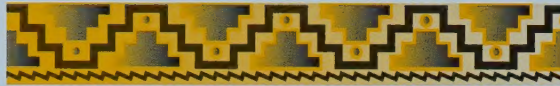
ROCKPORT

ENERGY CORPORATION



1995

ANNUAL REPORT



CORPORATE PROFILE

Rockport Energy Corporation is a publicly-owned independent junior oil and gas company. Oil and gas operations are concentrated in southern Alberta and Saskatchewan which provide for easy year-round access and an existing operational infrastructure of pipelines, facilities and batteries.

In only two years of operations, Rockport has demonstrated significant growth, both in reserves and daily production volumes, with limited capital expenditures.

Our corporate strategy is to continue to enhance shareholder value with effective long-term growth strategies. These are based on a balance of successful acquisitions, exploration and low risk development drilling projects.

Rockport's common shares are listed on the Alberta Stock Exchange and trade under the symbol "RPT".



NOTICE OF SPECIAL AND ANNUAL MEETING

The Special and Annual General Meeting of Shareholders will be held on Thursday, May 16, 1996 at 3:00 p.m., in the Plaza Room, The Metropolitan Centre, 333 - 4th Avenue S.W., Calgary, Alberta.



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PRESIDENT'S MESSAGE

On behalf of the Board of Directors, I am pleased to report that 1995 proved to be a year of substantial growth in all areas of the Company. Our efforts have significantly increased production volumes, revenue and cash flow and Rockport is positioned to continue its steady growth performance.

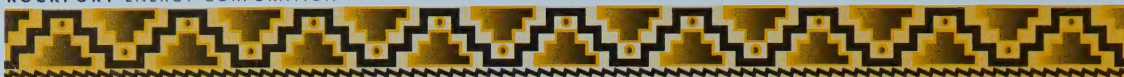
HIGHLIGHTS FOR 1995

-  Oil production increased 126% from 76 barrels of oil per day to 172 barrels of oil per day.
-  Natural gas production jumped 123% from 237,000 cubic feet per day to 530,000 cubic feet per day.
-  75% increase in oil and natural gas reserves to \$3.5 million.
-  Record oil and gas revenues exceeding \$1.2 million.
-  Acquisition of six producing oil and gas properties for \$2.18 per barrel of oil equivalent.
-  88% increase in undeveloped land inventory for future growth.

ACQUISITIONS

During 1995, Rockport successfully completed the acquisition of six high-quality producing oil and gas properties for a total of \$610,000. In acquiring these properties, the Company added 280,000 barrels of oil equivalent to its net reserves. Several attractive development drilling opportunities have been identified in these new project areas and Rockport intends to exploit their potential in 1996.

On a combined basis, these transactions resulted in the acquisition of net proven and probable reserves for approximately \$2.18 per barrel of oil equivalent.



LOOKING FORWARD - THE POTENTIAL

To ensure future growth, Rockport will reinvest 100% of cash flow in the development of internally generated drilling prospects in geographic areas of strategic value. The Company will continue to utilize three-dimensional seismic surveys in order to minimize drilling risks.

Rockport's 1996 goals are aggressive and we anticipate production of 500 barrels of oil equivalent per day. This target is based on current cash flow, however, with additional funding Rockport could exceed this target by accelerating development of the Company's assets.

The Company plans to continue developing its oil reserves to increase cash flow and to expand its activities in southern Alberta and southeastern Saskatchewan. Rockport will also continue to look for low cost acquisition opportunities offering excellent value and future development potential.

POSITIONED FOR GROWTH - 1996

Over the last two years, Rockport has been actively involved in the initiation of high-quality oil projects. The Company's current inventory of low-risk oil development projects have tremendous potential and provide the opportunity for dramatic growth in 1996 and beyond.

The Company will continue to demonstrate its ability to identify and develop quality projects and is committed to increasing shareholder value by aggressively pursuing oil and gas opportunities in the Western Canada Sedimentary Basin.

ACKNOWLEDGMENTS

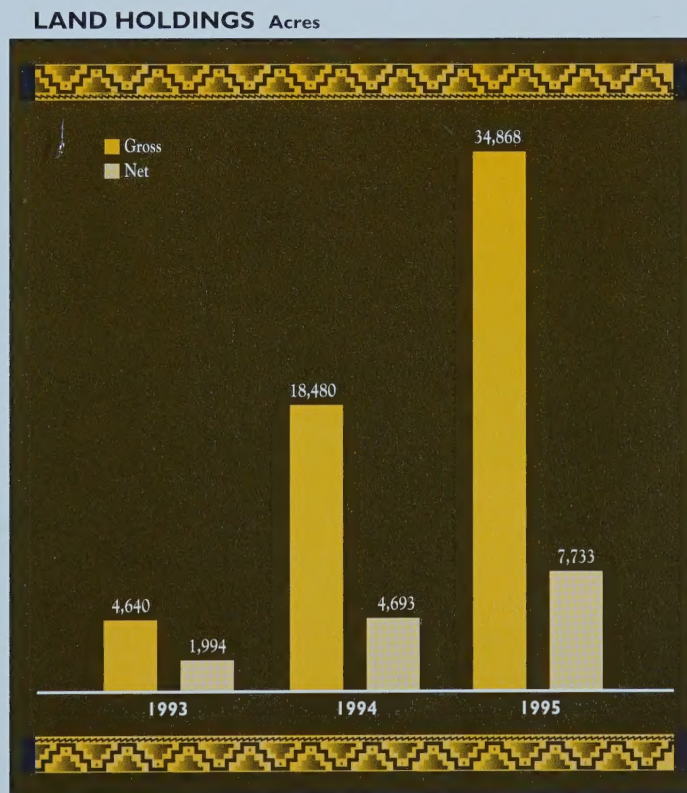
We are proud of our accomplishments and remain committed to achieving growth through excellence. I sincerely thank all of the Rockport team for their dedication and hard work in achieving record results, and our shareholders for their continued support during 1995.

Bruce G. Hall
President & Chief Executive Officer
March 19, 1996

LAND HOLDINGS

The future success of the Company is largely attributable to the quality and magnitude of the Company's undeveloped land holdings in its core areas. Rockport has exhibited consistent annual growth in strategic areas by increasing its land holdings by 88% from 18,480 gross acres in 1994 to over 34,800 gross acres (7,700 net) at year end 1995, with an average working interest of 22%.

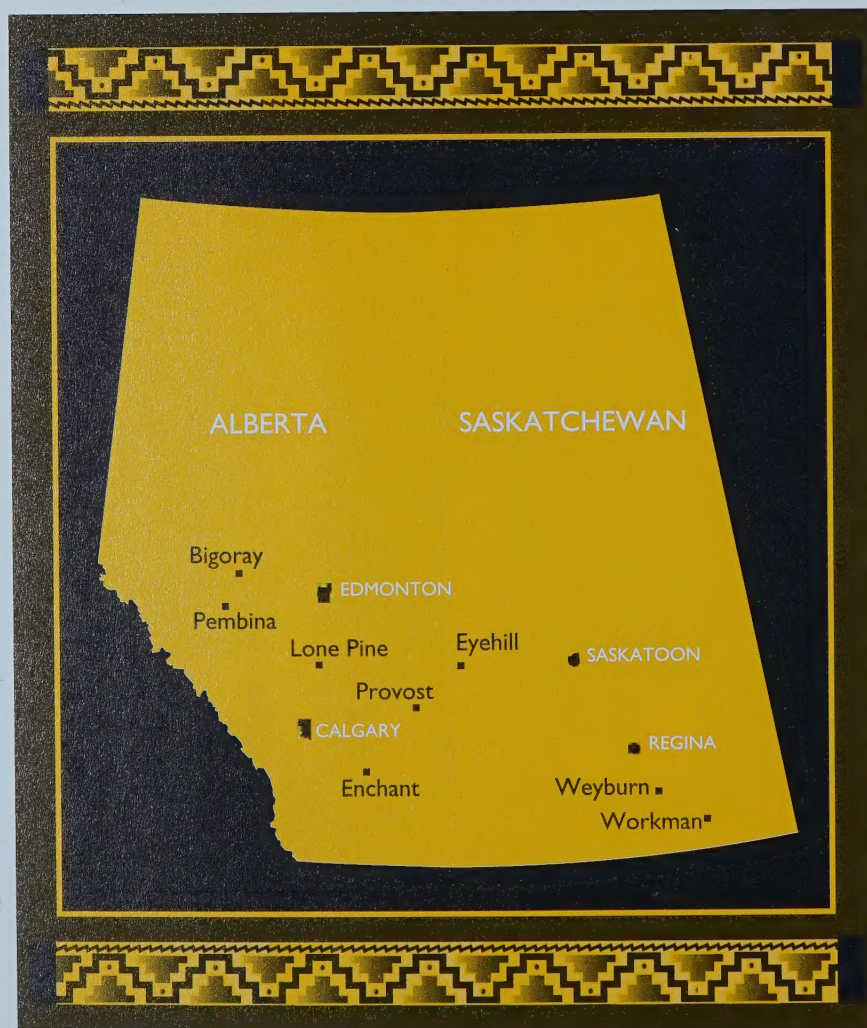
The Company's long term land acquisition strategy is based on extensive geological and geophysical expertise to provide superior growth potential. To date, the Company has set an enviable course of strategic undeveloped land positioning. In the highly competitive oil and gas environment, we have been successful in acquiring lands to complement our existing asset base and provide a continuous inventory of drilling prospects.



1996 - DEVELOPMENT DRILLING PROJECTS

Rockport has assembled an excellent inventory of low-risk oil properties for development in 1996. These properties have the potential of doubling the Company's current production volumes and associated revenues. All of our projects are located in the Provinces of Alberta and Saskatchewan.

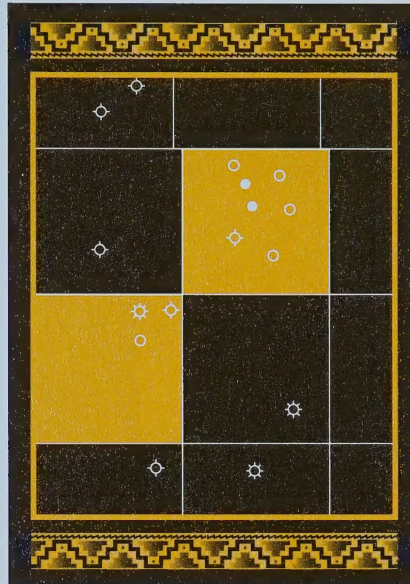
EXPLORATION AND DEVELOPMENT FOCUS AREAS





ENCHANT

- Producing Oil Well
- ✱ Gas Well
- Proposed Drilling Location

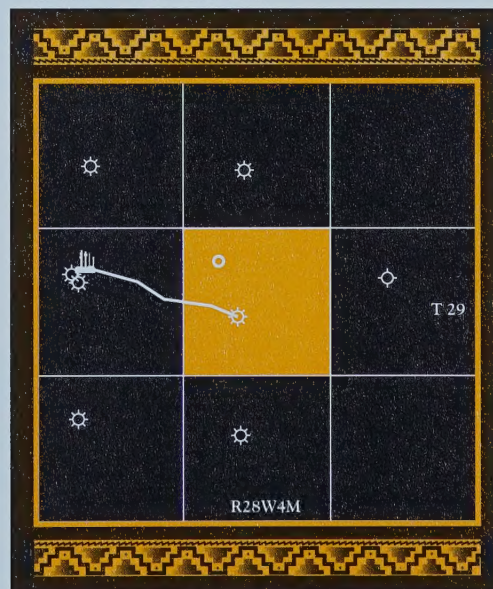


ENCHANT, ALBERTA

Rockport owns a 40% working interest in this producing oil property comprising 1,280 gross acres with multi-zone potential. There are two producing oil wells on this property and the Company has over 30 miles of seismic data to further delineate the Glauconite oil pool. A three-dimensional seismic survey will be shot on this project during 1996 in order to finalize development drilling plans. Rockport plans to drill both vertical and horizontal wells on this property.

LONE PINE CREEK

- ✱ Producing Gas Well
- Proposed Drilling Location
- ⌚ Gas Plant
- Pipeline



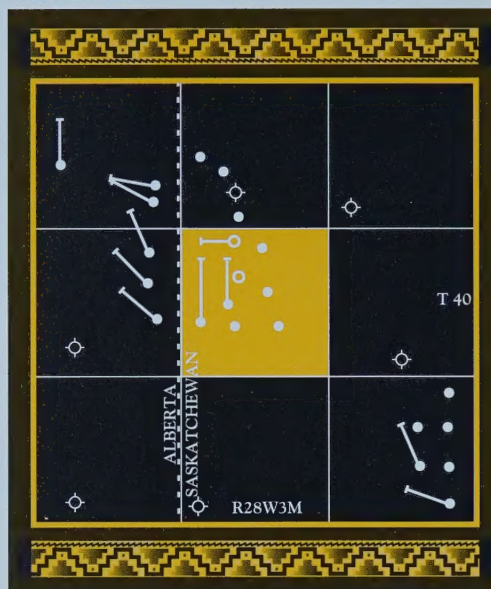
LONE PINE CREEK, ALBERTA

The Company has a 36% working interest in a producing Wabamun gas well on 640 gross acres of petroleum and natural gas rights located approximately 15 miles northeast of Calgary, Alberta. The well is tied-in to a gas plant located only one mile to the west of the well. Rockport is evaluating a shallower, prolific zone on this property and will twin the 6-26-29-28W4M well which is currently producing at 550,000 cubic feet per day.



EYEHILL

- Horizontal Oil Well
- Proposed Horizontal Location
- Oil Well
- Proposed Vertical Location

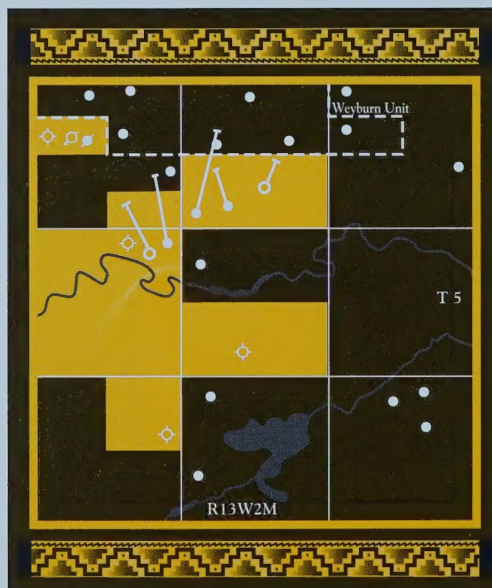


EYEHILL, SASKATCHEWAN

At Eyehill, Rockport has a 14% ownership in four producing Sparky oil wells comprising 640 gross acres. The Company plans to shoot a three-dimensional seismic survey over these lands and drill a horizontal well. The target zone is the Dina formation which has produced substantial reserves in this area.

WEYBURN

- Horizontal Oil Well
- Proposed Horizontal Location
- Oil Well



WEYBURN, SASKATCHEWAN

The Weyburn area has yielded Rockport's two most significant wells to date. These horizontal wells are currently producing from the Midale formation at a combined rate of 350 barrels of oil per day. The Company's net share of production is approximately 40 barrels of oil per day. A three-dimensional seismic survey was shot at year end 1995 and two new drilling locations have been identified.

Rockport also participated in the construction of a central battery facility to produce the crude oil from this property.

RESERVES

The Company's operational activities resulted in a 75% increase in petroleum and natural gas reserves. The volumes and present value of Rockport's reserves have been evaluated as at January 1, 1996 by Paddock Lindstrom & Associates Ltd. and Martin Petroleum & Associates and are detailed in the following tables.

Reserve Volumes

	Oil & NGL's (mstb)	Natural Gas (mmcf)
Proved producing	259.5	496.8
Proved non-producing	-	450.5
Total proved	259.5	947.3
Probable additional	215.2	627.4
Total proved plus probable	474.7	1,574.7
50% reduction for risk	(107.6)	(313.7)
Risked proved and probable	367.1	1,261.0

Present Worth of Future Net Pre-Tax Cash Flows (\$000's)

	Undiscounted	10%	Discounted at 15%	20%
Proved producing	4,649	2,790	2,379	2,086
Proved non-producing	659	309	232	183
Total proved	5,308	3,099	2,611	2,269
Probable additional	4,230	2,273	1,754	1,385
Total proved plus probable	9,538	5,372	4,365	3,654
50% reduction for risk	(2,115)	(1,137)	(877)	(693)
Risked proved and probable	7,423	4,235	3,488	2,961



FINANCIAL RESULTS

Rockport experienced strong growth in petroleum sales and cash flow per share has doubled to \$0.04 from \$0.02 in 1994.

In June 1995, Rockport utilized a portion of its revolving credit facility to complete one of our corporate property acquisitions. On December 31, 1995, the Company had \$600,000 in bank debt outstanding, representative of one times projected 1996 cash flow.

There are no taxes payable for the year ended December 31, 1995.

RESULTS OF OPERATIONS

Revenue, before royalties, realized by the Company totalled \$1.3 million. Of this revenue, \$1.2 million related to oil sales while \$0.1 million related to natural gas sales. This represents an increase of 94% over the year ended December 31, 1994.

Rockport exited 1995 with 225 barrels of oil equivalent per day in production.

Management continues to exercise tight controls over general and administrative expenses, resulting in a 53% decrease from \$3.96 in 1994, to \$1.87 per barrel of oil equivalent.

CAPITAL EXPENDITURES

Rockport spent \$1.3 million on capital expenditures, 47% less than the previous year. However, it managed to achieve a 75% increase in reserves.

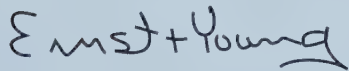
AUDITORS' REPORT

To the Shareholders of Rockport Energy Corporation

We have audited the balance sheets of Rockport Energy Corporation as at December 31, 1995 and 1994 and the statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

Chartered Accountants
March 11, 1996

Calgary, Canada

BALANCE SHEETS

AS AT DECEMBER 31

	1995	1994
Assets (Note 4)		
Current Assets		
Cash and term deposits	\$ 40,633	\$ 376,409
Accounts receivable	369,791	164,175
Prepaid expenses	7,713	8,036
	418,137	548,620
Capital assets (Note 3 and 4)	2,900,152	2,282,757
	\$ 3,318,289	\$ 2,831,377
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank loan (Note 4)	\$ 600,000	\$ -
Accounts payable and accrued liabilities	334,392	410,479
	934,392	410,479
Site restoration provision	87,000	34,900
Shareholders' Equity		
Share capital (Note 5)	3,508,275	3,508,275
Deficit	(1,211,378)	(1,122,277)
	2,296,897	2,385,998
	\$ 3,318,289	\$ 2,831,377

see accompanying notes

On behalf of the Board:



Bruce G. Hall, Director



Larry V. Zadan, Director

STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31

	1995	1994
Revenue		
Petroleum and natural gas sales, net of royalties and Alberta Royalty Tax Credit	\$ 1,133,412	\$ 503,000
Royalty income	44,641	85,390
Interest and other	26,354	32,563
	<u>1,204,407</u>	<u>620,953</u>
Expenses		
Production	450,011	165,855
General and administrative	134,033	130,410
Interest	24,154	-
Depletion, depreciation and site restoration	685,310	624,366
	<u>1,293,508</u>	<u>920,631</u>
Net loss for the year	(89,101)	(299,678)
Deficit, beginning of year	(1,122,277)	(822,599)
Deficit, end of year	<u>\$ (1,211,378)</u>	<u>\$ (1,122,277)</u>
see accompanying notes		
Net loss per share (Note 8)	\$ 0.00	\$ (0.02)

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31

	1995	1994
Operating Activities		
Net loss for the year	\$ (89,101)	\$ (299,678)
Non-cash items:		
Depletion, depreciation and site restoration	685,310	624,366
Funds from operations	596,209	324,688
Net change in non-cash working capital	(121,715)	84,500
	474,494	409,188
Financing Activities		
Proceeds from bank loan	600,000	-
Issue of share capital, net of share issue costs	-	1,726,362
	600,000	1,726,362
Investing Activities		
Acquisition of capital assets	(1,280,044)	(2,428,575)
Proceeds on disposal of capital assets	29,439	45,150
Net change in non-cash working capital	(159,665)	157,105
	(1,410,270)	(2,226,320)
Decrease in cash and term deposits	(335,776)	(90,770)
Cash and term deposits, beginning of year	376,409	467,179
Cash and term deposits, end of year	\$ 40,633	\$ 376,409
see accompanying notes		
Funds from operations per share (Note 8)	\$.04	\$.02

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Rockport Energy Corporation, a public company, incorporated under the Canada Business Corporations Act, is engaged in the acquisition, exploration and development of oil and gas properties within Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) PETROLEUM AND NATURAL GAS PROPERTIES

The Corporation follows the full cost method of accounting for its petroleum and natural gas properties. All costs related to the exploration for and development of petroleum and natural gas reserves, whether productive or non-productive, are capitalized in one cost centre and charged against earnings as set out below. Such costs include land acquisition, drilling, geological and geophysical costs, lease rentals on undeveloped properties and drilling costs of both productive and non-productive wells.

Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless crediting the proceeds against accumulated costs would result in a change in the rate of depletion of 20% or more.

The carrying value of the Corporation's petroleum and natural gas properties, net of deferred income taxes and site restoration provision, is limited to an ultimate recoverable amount. This amount is the aggregate of estimated future net revenues from proved reserves and the costs of unproved properties, net of impairment allowances, less future estimated production, general and administrative costs, financing costs, future site restoration costs and income taxes. Future net revenues are estimated using year-end prices and costs without escalation or discounting and the income tax and Alberta royalty tax credit legislation in effect at the year end.

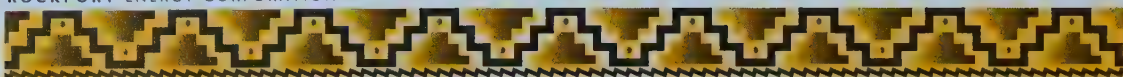
(b) DEPLETION AND DEPRECIATION

The provision for depletion and depreciation of petroleum and natural gas properties and production equipment is computed using the unit of production method based on estimated proven reserves of oil and gas as determined by independent engineers, converted to a common unit of measure on the basis of their approximate relative energy content. Costs of acquiring and evaluating unproved properties will be excluded from depletion calculations until it is determined whether or not proved reserves are attributable to the properties or impairment occurs.

Furniture and fixtures are depreciated on a straight-line basis over five years.

(c) FUTURE SITE RESTORATION COSTS

The estimated cost of site restoration is based on the current cost and the anticipated method and extent of site restoration in accordance with existing legislation and industry practice. Estimated future site restoration costs are accrued on a unit of production basis based on proven reserves. The provision is recorded on the statement of operations together with depletion and depreciation. When expenditures are made to restore a property, the accumulated provision is charged with these expenditures.



(d) FLOW THROUGH SHARES

Flow through common shares are initially recorded at net proceeds. The carrying amount of share capital and capital assets are reduced by the tax effect of the expenditures to be renounced to the flow through shareholders when the expenditures are incurred.

(e) JOINT OPERATIONS

All of the exploration and production activities of the Corporation are conducted jointly with others and accordingly these financial statements reflect only the Corporation's proportionate interest in such activities.

3. CAPITAL ASSETS

	December 31, 1995		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties	4,101,780	1,216,000	2,885,780
Furniture and fixtures	21,048	6,676	14,372
	<u>\$ 4,122,828</u>	<u>\$ 1,222,676</u>	<u>\$ 2,900,152</u>

	December 31, 1994		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties	2,859,892	587,000	2,272,892
Furniture and fixtures	12,331	2,466	9,865
	<u>\$ 2,872,223</u>	<u>\$ 589,466</u>	<u>\$ 2,282,757</u>

During the year, the Corporation capitalized \$119,638 (1994 - \$133,444) of general and administrative costs.

As at December 31, 1995, petroleum and natural gas properties include \$93,000 (1994 - \$128,000) relating to unproved properties which have been excluded from the depletion calculation.

1994 depletion costs include \$300,000 relating to a ceiling test write-down.

4. BANK LOAN

The Corporation has a demand revolving operating credit facility with a Canadian chartered bank with a maximum limit of \$675,000. Interest is paid monthly at bank prime plus 1 1/4% per annum.

The Corporation has pledged a \$1,000,000 first fixed and floating charge over its petroleum and natural gas properties and a floating charge over all other assets as collateral for the credit facility.

5. SHARE CAPITAL

Authorized :

Unlimited Class A Voting Common Shares

Unlimited Class A Preferred Shares

Issued:

	Common Shares	
	Shares	\$
Issued and outstanding as at December 31, 1993	6,957,235	1,781,913
Issued for cash by public offering, net of share issue costs of \$155,371	8,000,000	1,844,629
Less tax pools renounced to shareholders	-	(118,267)
Issued and outstanding, as at December 31, 1994 and 1995	14,957,235	3,508,275

During 1994 the Corporation renounced tax expenditures of \$268,789 to the flow through shareholders. The tax effect of \$118,267 relating to the renouncement has been recognized as a decrease to share capital and a corresponding decrease to capital assets.

STOCK OPTION PLAN

The Board of Directors has approved the granting of options to certain directors, officers and employees to purchase the Corporation's common shares, which were outstanding as follows at December 31, 1995:

Number of Shares Under Option	Exercise Price Per Share	Expiry Date
305,000	\$ 0.14	August 13, 1997
200,000	\$ 0.14	April 16, 1998
50,000	\$ 0.14	September 19, 1998
555,000		

6. INCOME TAXES

The provision for income taxes differs from the amount that would have been expected by applying corporate income tax rates to income before income taxes. The principal reasons for this difference are as follows:

	1995	1994
Loss before income taxes	(89,101)	(299,678)
Statutory income tax rate	45.00%	44.00%
Anticipated tax provision	(40,095)	(131,858)
Increase (decrease) in income tax resulting from:		
Non-deductible royalties and taxes, net of ARTC	75,999	35,447
Resource allowance	(80,663)	(35,741)
Non-tax based depletion	14,706	-
Reduction of taxes due to utilization of loss carry forwards previously unrecognized	-	(114,600)
Amortization of share issue costs	(17,165)	(17,165)
Deferred tax debit not recognized	47,218	263,917
Income tax provision	-	-



As at December 31, 1995, the Corporation had exploration and development costs and undepreciated capital costs available for deduction against future taxable income as follows:

Canadian oil and gas property expenses	\$ 1,948,000
Canadian development expenses	\$ 300,000
Canadian exploration expenses	\$ 352,000
Undepreciated capital cost	\$ 689,000

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 1995 management, geophysical consulting and prospect generation fees of \$77,885 (1994 - \$37,500) were paid to officers and directors of the Corporation.

8. INCOME AND FUNDS FROM OPERATIONS PER COMMON SHARE

The per share amounts are based on the weighted average number of shares outstanding during the year, which was 14,957,235 (1994 - 14,957,235). Funds from operations per share is based on cash flow from operations before changes in non-cash working capital balances related to operating activities.

Fully diluted funds from operations per share is not dilutive.



C O R P O R A T E I N F O R M A T I O N



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